

ALASKA STATE LEGISLATURE
SENATE JUDICIARY STANDING COMMITTEE

September 9, 2021

2:14 p.m.

MEMBERS PRESENT

Senator Roger Holland, Chair
Senator Mike Shower, Vice Chair (via teleconference)
Senator Shelley Hughes
Senator Robert Myers
Senator Jesse Kiehl

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative James Kaufman

COMMITTEE CALENDAR

SENATE JOINT RESOLUTION NO. 301

Proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit; and relating to the budget reserve fund.

- MOVED CSSJR 301(JUD) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SJR301

SHORT TITLE: CONST. AM: APPROP LIMIT

SPONSOR(S): SENATOR(S) MYERS

09/01/21	(S)	READ THE FIRST TIME - REFERRALS
09/01/21	(S)	JUD, FIN
09/03/21	(S)	JUD AT 1:30 PM BUTROVICH 205
09/03/21	(S)	Heard & Held
09/03/21	(S)	MINUTE(JUD)
09/08/21	(S)	JUD AT 1:30 PM BUTROVICH 205
09/08/21	(S)	Heard & Held
09/08/21	(S)	MINUTE(JUD)
09/09/21	(S)	JUD AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

ED KING, Staff
Senator Roger Holland
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Explained the amendments to SJR 301 on behalf of the committee, Senator Holland, Chair.

REPRESENTATIVE JAMES KAUFMAN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on SJR 301 as sponsor of the companion bill.

ACTION NARRATIVE

[2:14:55 PM](#)

CHAIR ROGER HOLLAND called the Senate Judiciary Standing Committee meeting to order at 2:14 p.m. Present at the call to order were Senators Myers, Hughes, Kiehl, Shower (via teleconference) and Chair Holland.

SJR 301-CONST. AM: APPROP LIMIT

[2:15:52 PM](#)

CHAIR HOLLAND announced the consideration of SENATE JOINT RESOLUTION NO. 301 Proposing amendments to the Constitution of the State of Alaska relating to an appropriation limit; and relating to the budget reserve fund.

[SJR 301 was previously heard on 9/3/21 and 9/8/21. Public testimony was opened and closed on 9/8/21.]

[2:16:12 PM](#)

CHAIR HOLLAND moved to adopt Amendment 1, work order 32-LS1161\A.1.

32-LS1161\A.1
Wallace/Marx
9/8/21

AMENDMENT 1

OFFERED IN THE SENATE

Page 1, line 2:

Delete "; and relating to the budget reserve fund"

Page 2, line 27, through page 3, line 8:

Delete all material.

Renumber the following resolution sections accordingly.

SENATOR HUGHES objected for discussion purposes.

[2:16:35 PM](#)

ED KING, Staff, Senator Roger Holland, Alaska State Legislature, Juneau, Alaska, on behalf of the committee, explained that Amendment 1 would remove Sec. 2 from SJR 301. Sec. 2 would provide a change to the constitutional budget reserve (CBR). As SJR 301 is int

ended to alter the constitutional spending limit under Sec. 16 of Art. IX, incorporating a change to another section of the constitution raises questions regarding whether the change could be considered an amendment or a revision. Striking Sec. 2 from the resolution will narrow the scope to a single section of the constitution and remedy any potential litigation.

[2:17:29 PM](#)

SENATOR HUGHES asked if it is problematic to have two items in one constitutional amendment or if the items should be separated.

MR. KING said a legal opinion dated May 8, 2021, from Marie Marx, Legislative Counsel, Legislative Legal Services, was provided to the committee at a hearing on SJR 5. He stated that this document was posted to BASIS for SJR 301. This memo discusses the revision versus amendment conversation.

[2:18:18 PM](#)

SENATOR MYERS stated that legal issues aside, simpler is always better so he favors Amendment 1.

SENATOR HUGHES removed her objection.

CHAIR HOLLAND found no further objection, so Amendment 1 was adopted.

[2:18:49 PM](#)

CHAIR HOLLAND said he would set aside Amendment 2 with the intent to take it up later.

[2:19:03 PM](#)

SENATOR KIEHL moved to adopt Amendment 3, work order 32-LS1161\A.5.

32-LS1161\A.5

Marx

9/7/21

AMENDMENT 3

OFFERED IN THE SENATE

BY SENATOR KIEHL

Page 1, lines 13 - 14:

Delete "[, INCLUDING REVENUES OF A PUBLIC ENTERPRISE OR PUBLIC CORPORATION OF THE STATE THAT ISSUES REVENUE BONDS]"

Insert ", including revenues of a public enterprise or public corporation of the State that issues revenue bonds"

CHAIR HOLLAND objected for discussion purposes.

[2:19:13 PM](#)

SENATOR KIEHL explained that Amendment 3 would restore an exemption from the spending cap for the revenues of a public enterprise or public corporation of the state that issues revenue bonds. He said an astute observer pointed out that he took the opposite position during the discussion on SJR 5. At the time, he warned that the state should avoid the risks of unaccountable public corporations "squirreling away" funds or potentially "sliding" state assessments in lieu of taxes and expenditures from the spending cap and the responsibility of the legislature. He said this was prior to the lawsuit on whether the Power Cost Equalization (PCE) Fund was "sweepable." Since then, there was a lawsuit and a judge's ruling. This provides an opportunity for public corporations to "squirrel away" funds and potentially, not to tax, but to establish fees for services on Alaskans that would not be under the spending cap.

SENATOR KIEHL suggested that given this, it would be wise to leave these items out of the spending cap in case future legislatures see the need for more oversight "or tighter control" over operations of state corporations. He said it is

not hard to envision a time when the legislature may want to rein in a fee and toll corporation, but there might not be any room under the cap to do so. Therefore, corporations would not be subject to the Executive Budget Act or legislative oversight. If the legislature retains the exemption, future legislatures will have that opportunity. He said the effect of Amendment 3 would be to retain the constitutional language as it reads today.

2:21:54 PM

SENATOR HUGHES said she was interested in allowing corporations the latitude to make creative solutions. For example, the legislature has considered a corporate structure for the Alaska Marine Highway System (AMHS) since it has struggled. If AMHS came up with a way to increase corporate receipts, those revenues wouldn't be under the cap. She expressed concern that a corporation or entity could be set up and the state could move a substantial amount of revenue to the entity. This corporate entity could earn interest and spin off revenue that would no longer be included in the cap. She suggested a friendly conceptual amendment to delete language on line 4 of Amendment 3, "including revenues of a public enterprise or public corporation ..." and insert, "including corporate receipts of a public enterprise or public corporation...."

2:23:40 PM

MR. KING responded that the issue of the definition of revenues has previously arisen in other iterations of the constitutional amendment. Some members previously expressed concern that interest earned on endowment funds or state subsidies from the general fund could be considered revenues of the corporation. If the committee is worried about those interpretations, Senator Hughes's conceptual amendment could be a good remedy.

2:24:13 PM

SENATOR KIEHL said he liked the concept. He asked for members' level of confidence that investment earnings would not be considered corporate receipts.

2:24:34 PM

MR. KING answered that the general interpretation of corporate receipts is to consider them as monies received by the corporation in the process of doing business. Specifically, it would relate to fees charged for services provided. The interest accrued on assets are considered capital gains and not receipts of the corporation. It could be defined more clearly by saying "corporate receipts generated from business activities excluding

interest from assets" or something to that effect. He recapped that generally, the corporate receipts should exclude non-business like activities.

[2:25:26 PM](#)

SENATOR KIEHL said this would require enacting legislation due to the nature of the proposal. He agreed with Mr. King's definition. He said if that was Senator Hughes' intent, he would be amenable to including that language and making the definition clear in enacting legislation.

CHAIR HOLLAND asked if he was speaking to the expanded language Mr. King suggested language "including corporate receipts and"

SENATOR KIEHL interjected that it would be appropriate for an enacting bill once this passes. He said the intent matches.

SENATOR HUGHES offered to move a conceptual amendment.

[2:26:35 PM](#)

At ease

[2:26:52 PM](#)

CHAIR HOLLAND reconvened the meeting.

[2:27:05 PM](#)

SENATOR HUGHES moved Conceptual Amendment 1 to Amendment 3, on line 4 to delete "revenues" and insert "corporate receipts."

CHAIR HOLLAND objected for discussion purposes.

CHAIR HOLLAND removed his objection.

[2:27:31 PM](#)

CHAIR HOLLAND found no further objection, so Conceptual Amendment 1 to Amendment 3 was adopted.

[2:27:36 PM](#)

SENATOR MYERS said he shared some of Senator Kiehl's concern about using corporations as a shield from under the spending cap or hiding spending in the other ways. He recognized that during the discussion on SJR 5 that the price paid for a ticket on the Alaska Railroad counts toward the spending cap. He offered his view that Conceptual Amendment 1 to Amendment 3 would help segregate those funds and help determine what should be counted towards the spending cap and what should not count.

[2:28:37 PM](#)

CHAIR HOLLAND stated that Legislative Legal Services is authorized to make conforming changes.

[2:28:51 PM](#)

CHAIR HOLLAND stated that he would assume Senator Shower (via teleconference) was in agreement unless he verbally objects.

[2:29:09 PM](#)

SENATOR SHOWER said he agrees with the amendment.

[2:29:17 PM](#)

CHAIR HOLLAND removed his objection. He found no further objection, so Amendment 3, as amended, was adopted.

[2:29:57 PM](#)

SENATOR KIEHL moved to adopt Conceptual Amendment 4, which has handwritten changes to work order 32-LS1161.A.7.

CONCEPTUAL AMENDMENT 4

Page 1, line 16, through page 2, line 1:

Delete "**real gross domestic product**"

Insert "**personal income of the residents**"

Page 2, lines 4 - 6.

Amend to read: The value of the personal income of the residents in this section shall not include compensation of state government employees and shall not include distributions of permanent fund dividends"

CHAIR HOLLAND objected for discussion purposes. He asked for an explanation of Amendment 4 as originally drafted.

Amendment 4, work order 32-LS1161.A.7 in its original form read, as follows:

32-LS1161\A.7

Marx

9/7/21

AMENDMENT 4

OFFERED IN THE SENATE

BY SENATOR KIEHL

Page 1, line 16, through page 2, line 1:

Delete "real gross domestic product"

Insert "personal income of the residents"

Page 2, lines 4 - 6:

Delete ". The value of the real gross domestic product in this section shall not include expenditures for government spending"

[2:30:28 PM](#)

SENATOR KIEHL explained Amendment 4. He stated that this topic arose during the original discussion of the bill. Amendment 4 would ultimately shift the economic indicator from gross domestic product (GDP) to personal income. Without restating the discussion from the prior hearing, it would put the legislature's interest directly on the people being served. He highlighted that personal income would be less subject to the peaks and valleys of oil prices or mineral prices. He acknowledged that Mr. King could help adjust the figures in the bill to keep within the sponsor's spending level.

[2:31:52 PM](#)

SENATOR MYERS expressed concern about Conceptual Amendment 4 since it proposes using personal income instead of GDP as the economic indicator. He said he understood the reason to use personal income is because it is a commonly used indicator in the Lower 48 and Alaska would be the first state to use GDP. He said a significant portion of SJR 301 is to tie the activity of the state government to the activities of the state's economy. However, a lot of personal income does not tie directly into the state's economy, such as retirement income. He offered his view that retirement income and investment income will only grow moving forward. Currently, retirement accounts have spread, including 401(k) accounts. Perhaps his daughters' college funds would qualify as personal income, but none of this income has anything to do with economic activity in the state, he said.

[2:33:51 PM](#)

SENATOR MYERS elaborated that the goal of SJR 301 is to affect state policy by creating a good business climate and encourage investment in Alaska, not in the stock market as a whole. He said he would rather see people invest in their own business or a friend's business and foster economic activity in Alaska. Switching from GDP to personal income will cause the state to lose sight of this, which ultimately could result in a larger

government spend. Although he recognized some volatility of a natural resource based economy, he maintained that GDP is a better approach.

2:35:59 PM

SENATOR HUGHES said she appreciates SJR 301 because it is important for the legislature to think about the state's budget in terms of what Alaska can afford. She stated that the oil-based economy is volatile with deep spikes and drops but indexing to the GDP using the 5-year averaging would smooth it out. She said the changes would still result in rolling hills and valleys. However, when oil prices go up the budget tends to increase and when prices drop, it creates a crisis. This results in the state needing to make cuts or raise taxes. However, if the state had a more diversified economy, it would be a brilliant thing to explore.

SENATOR HUGHES offered her support for Conceptual Amendment 4 for two reasons. First, personal income would smooth things out even better than GDP. Second, personal income relates to income of residents and reflects what the state can afford. For example, if the oil industry is doing really well and prices rose, a lot of dollars would leave the state and other countries and shareholders benefit, not Alaskans.

2:38:11 PM

SENATOR HUGHES said it would not take the legislature's focus off the state's economic health because personal income is a subset of GDP. Thus, it will reflect the general intent that the budget is relevant but have a better smoothing effect. Income is income, she said, whether it is retiree income or not. Third, since personal income does not include income going out of state, it will provide a better indicator. She explained that effect of Conceptual Amendment 4 is to delete lines 6 and 7 of Amendment 4.

2:39:45 PM

SENATOR KIEHL read the portion of Conceptual Amendment 4 that incorporated the handwritten changes for the benefit of those listening to the hearing:

On page 2, lines 4-6

Amend to read: "The value of the personal income of the residents in this section shall not include compensation of state government employees and shall not include distributions of permanent fund dividends.

2:40:19 PM

SENATOR KIEHL said he appreciated Senator Hughes' work on Conceptual Amendment 4. It avoids a feedback loop, in which state employee spend or PFDs can affect the cap. These feedback loops can create vicious cycles. Conceptual Amendment 4 cleans it up and prevents feedback loops.

2:40:56 PM

SENATOR SHOWER asked Mr. King to weigh in. He recalled work on other constitutional amendments.

2:41:31 PM

MR. KING responded that it comes down to a policy call of whether to use GDP or personal income as the macroeconomic indicator of choice. The GDP will be more volatile in a resource-based economy such as Alaska because the price of the commodities changes the GDP without any changes in production levels. Therefore, in a more standard economy that is based on manufacturing, GDP would expand if a new manufacturing plant opened up. There would be a strong economic tie to the amount of economic activity involved captured by GDP. In Alaska, GDP can increase because the prices change so it is more volatile. He acknowledged that the 5-year average helps smooth out the peaks and valleys.

2:42:46 PM

MR. KING said as Senator Myers pointed out, if the state moves away from a resource-based economy, GDP might be a better measure of how the economy functions rather than the amount of money people in the economy have. Senator Hughes made the point that the amount of the money residents has provides the tax base of the government. Therefore, other states that use personal income and have income taxes are very married because it does determine how much is available for the government to spend. He said either of these indicators will work. He noted that personal income would be a little less volatile but that does not automatically mean it is superior. However, if volatility is one of the measures the legislature is worried about, it is a concern.

2:43:48 PM

SENATOR SHOWER indicated he supports the indicator change from GDP to personal income. He asked Mr. King if either approach will serve the state slightly better.

MR. KING responded that on the one hand, the GDP is a leading indicator of personal income in some respects, especially in Alaska's commodity-based market. When oil prices increase, the companies producing oil have more money in their budgets. Therefore, the companies can use the additional funds in their capital budgets and maintenance funds to hire more people to do maintenance, exploration, and development. Thus, GDP will move faster than personal income, which is one reason why personal income tends to be smoother. When dramatic shifts occur with oil pricing, companies are trying to manage those peaks and valleys. Since Alaska already uses a 5-year average, the state is already "lagging" the indicator. So, using a 5-year average on personal income will result in "lagging" a lagging indicator. This means it will move even slower and be more stable, but less responsive. There are merits to either decision, he said. For example, if the state moves away from a resource-based economy to a more diversified economy this conversation will not matter. He said he does not have a strong opinion for which indicator to use in the context of a constitutional amendment looking forward in 50-100 years.

2:46:24 PM

SENATOR MYERS highlighted that the most important part of GDP is "D" or domestic. It is what happens here, he said. A number of types of personal income happen elsewhere but flow into the state. Thus, moving away from what happens domestically concerns him. Certainly, volatility is an issue but the state is moving away from that as it becomes less dependent on oil for the state's economy as a whole. Alaska will still be a natural resources state due to mining, fishing or other resources. However, none of those will swing as wildly as oil. Therefore, it's important to move the state towards a more diverse economy. Focusing on GDP could result in the legislature considering the state's economy as a whole rather than solely on its natural resources. Finally, if state employees are backed out of personal income, salaries of local government employees should also be taken out due to pass through funding. Alaska's funding is a little different in that so much of local government is funded by the state. For example, funding from the state for school districts, community assistance grants, school bond debt reimbursement all effect local government. Other states manage these things at the county level, he said.

2:49:41 PM

REPRESENTATIVE JAMES KAUFMAN, Alaska State Legislature, Juneau, Alaska, speaking as sponsor of the companion bill to SJR 301, stated that one goal in crafting [SJR 301 and the companion

bill, HJR 301] was to use the best composite index, including volatility. Although GDP is novel, it was selected because it incorporated so many factors, including new business activity, inflation and population. Moreover, data is easier to obtain and the quality of the metric has improved.

REPRESENTATIVE KAUFMAN acknowledged the necessity for multi-generational language in a constitution, which should span 50-100 years. Although the economy will not always be oil based, it will be resource driven and will ebb and flow. He predicted that if states using personal income as the economic indicator had a chance to do so, some states might consider switching to a GDP. The economic modeling shows that extreme volatility evens out with the five-year smoothing so it has not been problematic, he said.

2:52:22 PM

REPRESENTATIVE KAUFMAN said his second choice would be to use personal income. He considered using it but found that GDP really represents the private sector economy, which is the productive economy that should be the focus rather than for the state to rely so heavily on government.

2:52:53 PM

SENATOR HUGHES remarked that in the last 50 years the state has had an oil-based economy. During the budget process, the legislature has observed a growth in the number of Alaskans that are dependent on government for their income. In fact, one in three Alaskans rely on Medicaid, she said. By tying the [appropriations limit] to personal income, the state would be focused on improving the income of all residents and working to diminish the number of people dependent on government. As Representative Kaufman noted, the GDP data has improved, but so has the personal income data collection. Since personal income is more directly related to the money available in Alaska, using it as the indicator encourages the legislature to focus on economic growth. Thus, it would add an additional motivator besides seeking a healthy economy. Although she recognized that Representative Kaufman does not support personal income as the first choice for an economic indicator, and even though the five-year average will provide some smoothing, it would not be as smooth as using personal income. Again, during oil income spikes, much of that income goes outside, but it also leads to larger state budgets and potentially to budget gaps. Further, she expressed concern about rolling hills and volatility. She stated her support for using a personal income per Conceptual Amendment 4.

[2:55:25 PM](#)

SENATOR KIEHL said it all comes back to the need for state services. Investors still have kids in schools, license their cars, insure their homes, and use the court system. He acknowledged that personal income is not as close a tie as an infrastructure base, but the income of Alaskans is key. He provided what he characterized as an absurd example, in which a Canadian Robotic Mining Company mine on the Canadian side of the border extracted ore in Alaska but did not employ any Alaskans. This would not benefit Alaskans in any meaningful way. He asked members to support Conceptual Amendment 4.

[2:57:19 PM](#)

At ease

[2:57:49 PM](#)

CHAIR HOLLAND reconvened the meeting.

[2:57:53 PM](#)

SENATOR MYERS proposed Conceptual Amendment 1 to Amendment 4, on line 7 add "compensation of state and local government employees."

[2:58:22 PM](#)

CHAIR HOLLAND objected for discussion purposes.

CHAIR HOLLAND removed his objection. He heard no further objections, so Conceptual Amendment 1 to Amendment 4 was adopted.

[2:58:49 PM](#)

CHAIR HOLLAND brought Amendment 4, as amended, before the committee. He removed his objection.

SENATOR MYERS objected.

At ease

[2:59:09 PM](#)

CHAIR HOLLAND reconvened the meeting.

A roll call vote was taken. Senators Hughes, Shower (via teleconference) Kiehl and Holland voted in favor of Amendment 4, as amended, and Senator Myers voted against it. Therefore, Amendment 4, as amended, was adopted by a 4:1 vote.

[2:59:43 PM](#)

CHAIR HOLLAND announced that Amendment 4, as amended, was adopted by a vote of 4 yeas and 1 nay.

[2:59:58 PM](#)

At ease

[3:00:25 PM](#)

CHAIR HOLLAND reconvened the meeting and tabled Amendment 5.

[3:00:55 PM](#)

SENATOR MYERS moved to adopt Amendment 6, work order 32-LS1161\A.8.

32-LS1161\A.8

Marx

9/8/21

AMENDMENT 6

OFFERED IN THE SENATE

TO: SJR 301

Page 2, lines 3 - 4:

Delete "established by law except that the percentage shall be not more than fourteen percent"

Insert "the percentage established by law that is not a law enacted as an appropriation bill or fourteen percent, whichever is less"

CHAIR HOLLAND objected for discussion purposes.

[3:01:00 PM](#)

SENATOR MYERS explained that Amendment 6 provides a technical fix for an issue raised by Senator Hughes. SJR 301 provides for a spending cap in statute that does not exceed more than fourteen percent of the average of the value of the personal income of residents established by law. Since the budget is considered a law, it would overwrite any statute.

SENATOR MYERS said Amendment 6 would clarify that the percentage that applies to the calculation in the proposed resolution is either the amount established by law, or fourteen percent, whichever is less. Amendment 6 also provides that the law may not be an appropriation law.

SENATOR MYERS explained that the bill would provide a spending cap of not more than 14 percent.

[3:02:31 PM](#)

SENATOR KIEHL asked if the spending cap in SJR 301 would specifically be subject to an initiative.

SENATOR MYERS offered to check with Legislative Legal. His initial reaction is that it could be done by an initiative because an initiative process does not appropriate money. Amendment 6 would limit the amount that can be appropriated so there would not be any restriction. Conversely, an initiative could raise the spending cap, as well.

[3:03:49 PM](#)

SENATOR KIEHL said he reviewed the restrictions on initiatives and it is clear this doesn't make or repeal appropriations. He was uncertain whether there was an argument it could dedicate revenues. He said this is something to contemplate. However, he said he thinks he agrees with Senator Myer's interpretation.

[3:04:39 PM](#)

CHAIR HOLLAND removed his objection. He found no further objection, so Amendment 6 was adopted.

[3:05:00 PM](#)

SENATOR MYERS moved to adopt Amendment 7, work order 32-LS1161\A.9.

32-LS1161\A.9
Marx
9/8/21

AMENDMENT 7

OFFERED IN THE SENATE
TO: SJR 301

BY SENATOR MYERS

Page 2, lines 2 - 4:

Delete "The percentage that applies to the calculation in this section shall be established by law except that the percentage shall be not more than fourteen percent."

Insert "The percentage shall be established by law and shall not exceed fourteen percent. Upon an affirmative vote of two-thirds of the membership of

each house, the legislature may appropriate an additional amount for capital projects in excess of the limit under this section, except that the total amount appropriated shall not exceed an amount equal to fourteen percent of the average calculated under this section."

CHAIR HOLLAND objected for discussion purposes.

[3:05:05 PM](#)

SENATOR MYERS explained that Amendment 7 began as a discussion with SJR 5 and applies to SJR 301, in which the issuance of general obligation (GO) bonds and their repayment are exempt from the cap. This provides an incentive for the legislature to avoid the cap in capital spend by issuing GO bonds. He characterized it as a pretty easy escape valve. In searching for a solution, he used the assumption that a future statutory cap was in place, which was lower than the constitutional spending cap. Capital appropriations could be made for the difference between the statutory cap and the constitutional spending limit, but it would require a two-thirds vote of each body instead of a simple majority. This would avoid the expense of an election and remove an incentive to create new debt, but still provide head room on the cap. As mentioned in the bill presentation, part of the goal and purpose of SJR 301 is to smooth out capital spending to avoid maintenance or deferred maintenance costs. This would maintain some smoothing, add accountability and retain the spending cap, but give the state the ability to build capital projects in the state.

[3:07:51 PM](#)

SENATOR HUGHES acknowledged the need for infrastructure in Alaska. Assuming the constitutional amendment was set at fourteen percent and the statute at eleven percent, she asked if it would require a two-thirds vote to exceed eleven percent or only if it surpassed fourteen percent.

SENATOR MYERS answered it would be required if it exceeded eleven percent.

SENATOR HUGHES asked whether the two-thirds vote could ever exceed the fourteen percent.

SENATOR MYERS answered no.

[3:08:44 PM](#)

SENATOR HUGHES asked for the definition of capital projects.

SENATOR MYERS said the Senate Transportation Standing Committee discussed the definition during the general obligation (GO) bond package in SB 74. The Alaska Supreme Court uses a legal definition for capital projects in the Alaska Constitution that requires physical infrastructure.

[3:09:50 PM](#)

SENATOR KIEHL related that the past court and attorney general opinions relate to a definition of capital improvements. He related that the term "capital projects" is defined in statute. He asked if the sponsor wanted to use capital projects or if he preferred to use the term "capital improvements."

SENATOR MYERS responded that he preferred to use the tighter term "capital improvements."

[3:10:55 PM](#)

SENATOR HUGHES asked if asked if a capital project would include a new road.

SENATOR KIEHL answered yes.

[3:11:20 PM](#)

SENATOR KIEHL referred to lines 4-5 of Amendment 7, which was amended by Amendment 6. He asked if the sponsor wanted to use that language in Amendment 7.

[3:11:49 PM](#)

At ease

[3:12:19 PM](#)

CHAIR HOLLAND reconvened the meeting.

[3:12:21 PM](#)

SENATOR MYERS moved Conceptual Amendment 1 to Amendment 7, on line 6 to replace "projects" with "improvements".

CHAIR HOLLAND found no further objection, so Conceptual Amendment 1 to Amendment 7 was adopted.

SENATOR KIEHL asked if lines 4 and 5 of Amendment 7 should conform to Amendment 6.

SENATOR MYERS answered yes.

[3:13:08 PM](#)

CHAIR HOLLAND removed his objection.

CHAIR HOLLAND found no further objection, so Amendment 7, as amended, was adopted.

[3:13:36 PM](#)

At ease

[3:16:18 PM](#)

CHAIR HOLLAND reconvened the meeting and withdrew Amendment 8

[3:16:41 PM](#)

MR. KING explained that every change the committee made changed the macroeconomic indicator, which is the value multiplied by the percentage. The fourteen percent in SJR 301 was written to achieve a certain outcome assuming real GDP minus all government spending. By moving to personal income minus state and local compensation of employees and the permanent fund dividend, that number has changed, he said.

[3:17:27 PM](#)

MR. KING concluded that it actually turns out to almost be a wash. The fourteen percent that is currently in SJR 301 will provide approximately \$600-\$700 million in head room, which was in line with the intent of the original amendment. If the intent was to get down to that level with the 12.5 percent in Amendment 8, maintaining the fourteen percent will be very close to that. He said this calculation could be done by the committee or it could be deferred to the Senate Finance Committee.

CHAIR HOLLAND reiterated that he withdrew Amendment 8.

[3:18:24 PM](#)

SENATOR MYERS moved Amendment 2, work order 32-LS 1161.A. 4.

32-LS1161\A.4
Wallace/Marx
9/8/21

AMENDMENT 2

OFFERED IN THE SENATE
TO: SJR 301

Page 2, line 1:

Delete "reported by federal indices as prescribed by law"

Insert "as estimated by the federal bureau responsible for economic analysis according to federal law, expressed in current dollars,"

CHAIR HOLLAND objected for discussion purposes.

[3:18:39 PM](#)

SENATOR MYERS explained Amendment 2 was a technical language change on the advice of Mr. King. The initial language in SJR 301 used GDP reported by federal indices as prescribed by law. However, Mr. King indicated that the way it is reported was as an estimate using economic models. Amendment 2 will correct that by replacing it with the language "as estimated by the federal bureau responsible for economic analysis according to federal law, expressed in current dollars."

[3:19:37 PM](#)

SENATOR MYERS moved Conceptual Amendment 1 to Amendment 2, to strike "expressed in current dollars."

CHAIR HOLLAND objected for discussion purposes.

SENATOR MYERS explained that income is always expressed in current dollars. In order to calculate the lag, it will be necessary to factor in inflation. Again, income is always expressed in dollars, he said.

[3:20:06 PM](#)

SENATOR HUGHES asked Mr. King to explain the effect.

MR. KING explained that technically, personal income is always expressed in nominal dollars, not in current dollars, which would be historic dollars adjusted for inflation. Since the committee removed the language "real GDP" there is no longer an inflation adjustment within the macroeconomic indicator and therefore the term "expressed in current dollars" is not necessary unless the intent of the committee is to re-impose inflation adjustments.

[3:20:55 PM](#)

CHAIR HOLLAND removed his objection. Chair Holland found no further objection, so Conceptual Amendment 1 to Amendment 2 was adopted.

CHAIR HOLLAND stated Amendment 2, as amended, was before the committee.

[3:21:18 PM](#)

CHAIR HOLLAND withdrew his objection. Chair Holland heard no further objection, so Amendment 2, as amended, was adopted.

[3:21:29 PM](#)

SENATOR KIEHL withdrew Amendment 5. He stated that this issue was previously addressed.

[3:21:59 PM](#)

CHAIR HOLLAND solicited a motion.

[3:22:05 PM](#)

SENATOR HUGHES moved to report SJR 301, work order 32-LS116\A, as amended, from committee with individual recommendations and attached fiscal note(s).

[3:22:24 PM](#)

SENATOR KIEHL said he is not a fan of spending caps because he doesn't view them as constitutional necessities in a system with regular elections. However, he found SJR 301 to be carefully crafted and responsive to a number of concerns. Therefore, he will carefully watch it as it goes through the process, but he will not object to it moving from committee.

[3:22:53 PM](#)

SENATOR HUGHES offered her view that SJR 301 was improved in the process. She stated that part of the Fiscal Policy Working Group's (FPWG) recommendation included a spending cap. She stated that this could be a vehicle for one of the components.

[3:23:29 PM](#)

SENATOR SHOWER said the FPWG members were not aligned on how to craft a spending cap, but everyone agreed changes were necessary. He characterized this as a step in that direction. He stated that SJR 301 was in line with FPWG recommendations moving forward.

[3:24:31 PM](#)

REPRESENTATIVE KAUFMAN appreciated the productive committee work. He said the core goal was to have something that ties government to the productive economy. He said this measure does so. He commended the committee process.

[3:25:35 PM](#)

SENATOR MYERS said even if the committee spent months on the language for the spending cap that another legislature would find holes. He characterized it as an imperfect solution. Still, the state needs a spending cap. He thanked the committee for its willingness to discuss SJR 301.

[3:26:35 PM](#)

CHAIR HOLLAND heard no further objection. Therefore, CSSJR 301(JUD) was reported from the Senate Judiciary Standing Committee.

[3:26:49 PM](#)

There being no further business to come before the committee, Chair Holland adjourned the Senate Judiciary Standing Committee meeting at 3:26 p.m.